

Your Reference Number: NEDCAB/ADM/_____

North East Derbyshire Citizens Advice Bureau

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Debt Help & Information Guide

(includes free NEDCAB Debt Management Plan)

We at North East Derbyshire Citizens Advice Bureau have produced this debt help guide and information pack to assist clients who are facing debt and financial problems.

This guide is designed to allow and assist clients to deal with their debt and financial problems themselves if possible. It consists of general information on options available to clients who are experiencing debt and financial problems; it also includes our **Debt Management Plan**.



We are unable to assist in negotiations where clients take advantage of new credit after first contacting us or when clients make their own arrangements with individual creditors that are not equitable. Consequently, this pack must **not** be used in these circumstances.

All of the information in this pack is available for free on our website at www.ned-cab.org.uk. You can also fill in a financial statement online which will automatically calculate pro-rata offers, enter your details into all of the letters included in this pack and print them off for your creditors.

North East Derbyshire Citizens Advice Bureau are committed to providing free, confidential, independent, impartial advice to everyone and wish to make it clear that we are **not** associated with, and nor do we recommend or endorse **any** Debt Management Businesses or their Partner Companies.

Disclaimer: North East Derbyshire CAB has produced this guide in an effort to explain most of the processes and procedures involved in debt cases. We have developed this guide in good faith and cannot accept any responsibility for any actions taken as a result of following these guidelines. The information in this pack is correct as of April 2011.

**Free, Independent, Confidential, Impartial advice for the districts of
North East Derbyshire and Bolsover**

North East Derbyshire Citizens Advice Bureau, 126 High Street, Clay Cross, Derbyshire, S45 9EE

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INTRODUCTION

In this credit and consumer lead technological age **anyone** can find themselves facing debt and financial problems for many different reasons.

Figures show that more and more people are facing debt and insolvency problems with the trend likely to continue. With this we have seen a rise in the fee charging Debt Management and Advice Industry, all out there ready and waiting to “help & advise” you with your debts and often claiming that their services are free.

People with financial problems often find themselves in a **vicious circle** with debts spiralling out of control, not knowing what to do or who to turn to. Debt can completely take over people’s lives to the extent that is all that they think and worry about day and night. The implications of debt and money worries can have a **devastating** effect on health, housing, employment and families.

If you have debt problems, try to stay calm and don’t ignore them. Get advice on your options as soon as possible, preferably from a free independent agency like CAB. There are solutions and help is available.

As finance and debt now seems to be a way of life, we would encourage anyone to educate themselves on these subjects, with our help if necessary. Don’t be afraid, the more knowledge you gain, the more confident you are likely to become at solving your problems. We have designed this guide and help pack with this in mind and sincerely hope that it can be of some assistance to you.

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PRIORITY DEBTS

The law states that some debts are more important than others and give creditors different options to recover their money. These are called **priority debts** and should always be dealt with and paid before less important non-priority debts. (Always check any insurance cover re: priority debts).

EXAMPLES OF PRIORITY CREDITORS & RECOVERY ACTION

- Rent / mortgage / secured loans / charging orders (loss of home)
- Council Tax (attach to earnings / bailiffs / prison)
- Magistrates Court Fines (bailiffs / prison)
- Electricity / Gas (pre-payment meter / disconnection)
- T.V. Licence (fine / prison)
- Income Tax (bailiffs / bankruptcy / other)
- Hire Purchase (loss of car / goods)
- Child Maintenance (attach to earnings / bailiffs / prison)
- Court Judgements (attach to earnings / charging order / bailiffs)
- Telephone (disconnection)

If you have problems with **priority creditors**, don't wait for arrears to mount up or for legal action to commence, contact them as soon as possible (examples below). You may need to draw up a detailed income/expenditure form (Financial Statement) outlining your offers - see the NEDCAB Debt Management Plan further on in this guide for assistance regarding Financial Statements.

- **Rent / mortgage / secured loans / charging orders:** contact your lender or landlord and offer full contractual payments plus a monthly amount to clear your arrears over a suitable period (for mortgage arrears there are also schemes such as HMS & Mortgage Rescue)
- **Council Tax:** contact the local authority involved and offer an amount on top of your normal payments to clear your arrears within the current tax year. If your accounts have been passed to the bailiffs you will need to contact them with an offer of payment or ask the local authority to agree to an attachment of earnings order or deduction from benefits
- **Magistrates Court Fines:** contact the relevant court with a realistic offer of payment or request for a means hearing. If bailiffs are involved, contact with offer of payment
- **Electricity / Gas:** contact your supplier and offer an amount on top of your current usage costs. Other options - request a pre-payment meter or deduction from benefits
- **T.V. Licence:** contact TV Licensing regarding various payment schemes (0870 241 6468)
- **Income Tax:** contact Inland Revenue and offer payment plan or discuss options
- **Hire Purchase:** contact lender and offer normal payments plus amount to clear arrears
- **Child Maintenance:** contact CSA and cooperate fully. If bailiffs involved, offer payment plan
- **Court Judgements:** complete court forms with offer or apply to vary current order
- **Telephone:** contact provider and offer normal payments plus amount to clear arrears

If you require in depth advice and information on dealing with priority debts (including court hearings, eviction & bailiffs) there are a number of fact sheets on our website covering these issues. Alternatively, you can contact the Citizens Advice Bureau or another agency for further advice.

Useful Contacts

Shelter Free Housing Advice Helpline 0808 800 4444 www.shelter.org.uk

Citizens Advice www.adviceguide.org.uk

NON-PRIORITY DEBTS

These include numerous types of debts where the creditor does **not** have the extra powers of recovery (for example they cannot take your home or seize goods). This means they will not have to be treated as priority and offers only made after arrangements have been agreed with your priority creditors.

COMMON EXAMPLES OF NON-PRIORITY DEBTS

- Credit Cards
- Catalogues
- Unsecured Bank & Building Society Loans
- Personal Loans (including Doorstep Lenders)
- Overdrafts
- Book Clubs

If you have problems paying your non-priority creditors you should always check if you have any relevant insurance cover on your accounts.

OTHERS WHICH MAY BE NON-PRIORITY (depending on circumstances)

- Rent Arrears / Mortgage Shortfalls (previous properties)
- Electricity & Gas (previous property or old supplier)
- Hire Purchase (where goods have been re-possessed)
- Telephone (disconnected accounts land & mobiles)
- Rental Agreements (old accounts, TV / Sky etc)
- Clubs (example health / slimming)
- Benefit Overpayments (where benefit no longer paid)
- Social Fund (where benefit no longer paid)

Please note that it is common practice for some non-priority creditors to attempt to pressure people into paying them before more important priority debts. Examples are doorstep collectors, collection agencies and call centres. You should always make sure that your priority creditors have been dealt with before making arrangements with, or paying any non-priority creditors.

You should always check your creditor correspondence as non-priority creditors sometimes take legal action including County Court Judgements (CCJs). If you do receive a Court Summons, you will need to respond within a set time. Don't panic, check the details before completing and returning the relevant form. Please do not hesitate in contacting the bureau or an alternative agency if you need advice and assistance with responding to a Court Summons or any other legal action taken by creditors.

If you have problems paying your non-priority creditors, you should consider writing to or telephoning them to see if you can reach some sort of compromise.

Please see the NEDCAB Debt Management Plan for further in depth advice and assistance on dealing with non-priority creditor.

COURT / LEGAL & RECOVERY ACTION

There are occasions where creditors resort to legal action which can be a daunting experience.

If you receive court papers or are subjected to a Possession Claim Online (PCOL) you will need to respond within a specified time. In this situation you should carefully check the contents / details before returning any relevant documents / forms / submitting a defence / applying to suspend a warrant.

In some cases you **must** or it would be very much in your interest to attend any subsequent court hearings.

a) EXAMPLES OF COURT AND LEGAL ACTION

- Possession & Eviction (rent / mortgage / secured loan arrears)
- Charging Order (threat to property)
- Liability Order (council tax)
- Attachment to Earnings (council tax, maintenance, county court judgement)
- County Court Judgements (unsecured debts / creditors)
- Bailiffs (eviction, council tax, county court judgements)
- Statutory Demands (bankruptcy threat)

Along with the above there are other forms of court and legal action you may receive or face in relation to your debts.

If you receive (or have already received) any court papers or you are facing any kind of legal / recovery action that you don't understand or need help with **GET ADVICE** as you may still have time to stop further action including **eviction**, do not just **ignore** the situation.

Useful Contact

Her Majesty's Courts Service **0845 456 8770** www.hmcourts-service.gov.uk

b) DEBT COLLECTION AGENCIES (DCAs)

There are occasions where creditors pass accounts / debts on to external collection agencies / solicitors for recovery **without** going to court. You may receive (or already have received) letters / telephone calls from this type of company / practice, requesting payments. Debt Collection Agencies can make telephone calls, write letters or even call at your home and try to set up payment(s).

It is important to remember that debt collectors are **not** bailiffs and **cannot** enter your property and seize goods or belongings and there are limits which they must adhere to, also there are harassment laws in place for your protection and organisations you can contact if you wish to complain.

Useful Contacts

Office of Fair Trading **0845 722 4499** www.offt.gov.uk

Financial Ombudsman Service **0845 080 1800** www.financial-ombudsman.org.uk

c) BAILIFFS

If you address / deal with your debts at an early stage and keep in touch with them, creditors on the whole usually refrain from taking legal action leading to bailiff involvement. Unfortunately, this is not always the case (see below). Not all creditors and circumstances are the same.

County Court Judgements – CCJs (county court bailiffs)

If a creditor has successfully obtained a county court judgement and a warrant of execution has been issued you may be able to stop the bailiffs visiting your home by filling in an N245 court form, making an offer to pay **and** requesting the warrant be suspended. County Court bailiffs can't force their way in, but they can enter through an unlocked door or open window. Forced entry includes pushing past you once you have opened the door or leaving their foot in the door to prevent you from closing it. (Bailiffs trying to recover money you owe to HMRC are allowed to break into your home, providing they have a magistrates' warrant).

Local Authority / Council (private bailiffs)

Where a Liability Order has been obtained through the Magistrates Court for council tax / business rates private bailiffs can be engaged to recover the debt. They cannot break in or gain entry by force however if they do 'gain peaceful entry' and a 'Walking Possession Agreement' is signed they can return and force entry into your home if any payment arrangement is not maintained.

Magistrates Court Fines (private bailiffs)

If you have been fined for a criminal offence the court can send private bailiffs if payments are not maintained and will usually try to recover the fine as a lump sum. They have the power to gain initial entry to your home by force (though they should only do this as a last resort).

Eviction for mortgage & rent arrears (county court bailiffs)

If you fall behind with your mortgage / rent payments and the landlord / lender has followed the correct legal procedure eventually obtaining an eviction warrant the bailiffs can break in and evict you. If you receive a warrant you may still have time to stop the eviction by completing and submitting an N244 court form outlining your proposals and reasons to stop / suspend the eviction.

High Court (enforcement officers / private bailiffs)

If a creditor has obtained a county court judgement they may be able to transfer the debt to the High Court for enforcement if they want to use 'execution against goods' to enforce the debt. High Court bailiffs (enforcement officers) can act more quickly than county court bailiffs – they do not need to send a warning letter first (not all debts can be transferred to the High Court). With the High Court you may be able to / or need to apply to set aside the judgement or for a 'stay of execution'

Bailiff negotiation & fees

If it has reached the stage where bailiffs have become involved you are usually at the end of the line and will need to negotiate and / or apply to court to suspend a warrant. Bailiffs may be prepared to take part in reasonable negotiation (subject to legal & contractual constraints). It is likely fees and charges will be added to the debt you owe and these may increase if extra visits are involved. You may ask for details of these at any time, and fees can be disputed.

What can bailiffs take?

Bailiffs can't / should not take essentials such as clothing, bedding, fridges, cookers, most furniture and the 'tools of your trade' (example, a computer you use for work). They can take non-essential items such as televisions and possessions outside your home or in unlocked garages or sheds (examples – cars and garden equipment / ornaments).

DEALING WITH DEBTS, OPTIONS EXPLAINED

a) FULL AND FINAL SETTLEMENT OFFERS

A Full & Final Settlement Offer is an offer or part payment to creditors in the form of a one off lump sum payment in return for having the remainder of the debt written off. A Full and Final Settlement Offer could be a suitable strategy to clear debts if you have access to a lump sum of money – this may be from-

- the sale of assets such as property / assets
- savings
- re-mortgaging
- third party donation from family / friends
- windfall such as lottery / inheritance

Why might creditors accept?

- avoid expenses of trying to recover / legal action that is not guaranteed to be successful
- may prefer a smaller overall lump sum now rather than small instalments over a long period
- the debtors alternative solutions such as bankruptcy would mean no return to them

Some pros

- if the offer is accepted you pay less overall
- the debt would be paid off sooner allowing a 'fresh' start
- creditors should mark the debts as satisfied
- credit rating may improve

Some cons

- no guarantees that the creditor(s) will accept
- a lump sum may need to be accessed that could be used elsewhere
- once creditors become aware that you have access to a lump sum they may demand payment of the full debt
- clearing the debt in this way will not remove any default notice or county court judgement previously obtained from your credit record, they will remain on file for six years
- issues around the arrangement being legally binding

Full & Final Settlement Offers should be made by the way of a pro-rata procedure with written evidence / proof from creditors confirming their full acceptance.

b) CONSOLIDATION LOAN / RE-FINANCE / MORTGAGE

Apply to a lender to clear your debts.

A consolidation loan basically means that all (or the majority) of your debts are replaced by a single 'affordable' loan resulting in overall lower monthly payments.

A consolidation loan will only really help if:

- it is used to pay some or all of the existing debt
- the new payments are lower than those (combined) that are being paid towards the existing debts
- the new payments are 'affordable'

If the above does not apply then it is likely that a loan may make the problem worse

Some pros

- one affordable monthly payment
- the monthly payments(s) should be lower overall

Some cons

- there may be fees involved in setting up the loan
- the lender might insist that the loan be secured on your property which may lead to the home being put at **SERIOUS RISK** if payments are not maintained
- the size of the overall debt may **increase** significantly
- if all the existing debts are not cleared with the new loan then it is possible that the situation could be made worse and / or make it still difficult to service all payments
- a poor credit rating may make it difficult to obtain a loan / refinance or result in adverse terms / conditions / interest rates being offered

If you feel that refinancing would be a suitable solution for dealing with your debts then it is strongly advisable to seek independent advice and obtain / compare at least three separate quotes from reputable lenders, carefully checking the terms / conditions / fees / charges / interest rates etc before making any decisions.

c) ADMINISTRATION ORDER (ADMIN ORDER)

An Administration Order is a court based procedure whereby the debtor makes regular payments to the court which in turn shares them amongst the creditors.

There are no fees to pay with Administration Orders however the court will take a small percentage towards its costs.

To be able to ask the court to make an Administration Order a debtor must:

- have debts of £5000 or less and have at least two creditors
- have a county court judgement (**CCJ**) entered against them

Some pros

- none of the creditors listed in the Admin Order can take further action without the courts permission
- the court deals with the creditors and distributes the payments to them
- interest and charges are stopped
- no up front fees
- can apply to make payments for a limited time
- if circumstances change / worsen, an application can be made to reduce payments

Some cons

- creditors can object and ask the court to be left out of the order, however the court need not agree
- if payments are not maintained the order may be revoked (cancelled) and the protection of the court lost

Details of Administration Orders can be obtained from the County Court

Useful Contact

Her Majesty's Courts Service

0845 456 8770

www.hmcourts-service.gov.uk

d) DEBT MANAGEMENT PLAN (DMP)

A Debt Management Plan (DMP) is an **informal** arrangement where the debtor makes pro-rata or token offers to non-priority debts after making arrangements and paying priority creditors. In a nutshell, this involves seeing how much money you have left (if any) to go towards paying your non-priority debts after you have covered your essential living expenses such as mortgage / rent / council tax / food / utility bills etc

Some pros

- recognised / fair procedure for dealing with debts
- flexible procedure / solution if there is a change in circumstances (higher or lower offers depending on whether disposable income improves or worsens)
- can be implemented & administered by the debtor themselves via self help and assisted methods
- creditors may consider part or full balance write off after a period of time, if the debtor has made every effort to pay back what they can / maintained regular payments / have serious health problems with circumstances unlikely to improve

Some cons

- no guarantees that creditors will agree to the proposals / offers (although they should not refuse payments made to them)
- creditors may not freeze interest and charges or could re-instate them, which in turn could mean debts actually increase even though payments are being made
- accounts may be passed to external internal collection departments or external debt collection agencies resulting in letters / telephone calls / threatened or actual home visits
- accounts defaulted / damaged credit ratings
- creditors could still take legal action – for example obtain a court judgement (**CCJ**) which in turn may lead to an application for a **Charging Order** if there is a property involved
- long or unrealistic timescale to clear debts

A Debt Management Plan (DMP) can be used as a short or long term option / solution depending on circumstances and / or other possible future long term solutions.

A debtor could administer a Debt Management Plan (DMP) themselves or use a charity such as CAB / Consumer Credit Counselling Service.

There are also numerous fee charging Debt Management businesses & companies offering this type of service. If you do decide to use one of these businesses or companies, we would strongly advise that you check the terms, conditions, fees (including up front ones) and any hidden charges as there is evidence of misleading advice in this sector.

FREE DEBT MANAGEMENT PLAN

This guide includes a Debt Management Plan designed by North East Derbyshire CAB to allow and assist YOU deal with your debts.

Useful Contacts

Consumer Credit Counselling Service

0800 138 1111

www.cccs.co.uk

National Debtline

0808 808 4000

www.nationaldebtline.co.uk

e) DEBT RELIEF ORDER (DRO)

A Debt Relief Order (DRO) is a **formal** debt solution and may be suitable for those with relatively low liabilities, little surplus income, few assets and are currently unable to access other forms of debt relief.

To qualify for a Debt Relief Order (DRO) a debtor must:

- be **unable** to pay their debts
- have total unsecured liabilities of no more than **£15000**
- not have more than **£300** in assets (**this includes property**)
- have disposable income of **less than £50 per month**
- not own a vehicle (**car / motorbike**) that exceeds **£1000** in value
- be domiciled in England or Wales, or in the last 3 years have been a resident or carrying on in business in England or Wales
- not have been subject to a Debt Relief Order (DRO) within the last **6 Years**
- not be involved in another formal insolvency debt procedure such as undischarged bankrupt, subject to a current BRU / BRO, current Individual Voluntary Arrangement (IVA)

Debt Relief Orders (DROs) are applied for with the help of an **Approved Intermediary** and will last for **1 year** after which the debtor will be released from their debts (with some exceptions)

Some pros

- debts written off at the end of the Debt Relief Order (with possible certain exceptions)
- none of the creditors listed in the DRO can take further action without the courts permission
- allows the debtor to make a genuine fresh start after **1 year**
- affordable fee (**£90**) and can be paid in instalments
- allowed to keep a vehicle (**car / motorbike**) up to the value of **£1000**

Some cons

- details of DROs are entered on the Insolvency Service Public Register
- the DRO could be revoked (withdrawn) if the debtor does not co-operate with Official Receiver during the time the DRO is in force
- the debtors employment may be affected
- damaged credit rating / committing an offence if the debtor obtains credit of **£500** or more without disclosing that they are subject to an IVA
- a debtor may have a restriction order (2 to 15 years) made against them if they are deemed to have acted irresponsibly, recklessly or dishonestly
- the debtor cannot act as a director of a company or be involved in its management unless the court agrees
- certain debts cannot be include – for example – student loans, fines, child maintenance, criminal injuries
- if your financial circumstances improve during the period of the DRO (eg. if you find employment) your DRO may face being revoked

Useful Contact

f) INDIVIDUAL VOLUNTARY ARRANGEMENT (IVA)

An Individual Voluntary Arrangement more commonly known as an **IVA** is a legally binding agreement for the satisfaction of debts usually lasting 5 years. It is a genuine method of avoiding bankruptcy while still being subject to a **formal** debt solution and can be a suitable and sensible solution in some cases. To enter an IVA a debtor would usually have to have at least £15000 of unsecured debt incorporating at least 3 creditors. To propose and set up / administer an IVA the debtor must be assisted by an Insolvency Practitioner who will act as the Supervisor of the arrangement (CAB cannot do these).

Some pros

- once entered into an IVA all negotiations etc are handled by the Insolvency Practitioner
- creditor pressure removed
- interest and charges stopped
- one 'affordable' monthly payment (usually for 5 years)
- homeowners can almost always keep their homes
- avoids the 'perceived' stigma of bankruptcy
- substantial amount of debt may be written off

Some cons

- homeowners may need to release equity through a re-mortgage in the 4th year of the IVA or extend the terms of the arrangement (usually for an extra year)
- damaged credit record (6 years)
- failing to stick to the terms of the IVA might result in bankruptcy
- if the IVA fails within the first 2 years it is possible that the majority of the money paid in will have gone in fees
- details of IVAs **are available** to the public via the **Insolvency Service Register**
- possible problems with employer
- tenancy agreements may include an insolvency clause (risk to home)
- tight budget with regards to disposable income
- certain debts cannot be included including - fines / CSA / mortgages

If you decide on an IVA as a method of dealing with your debts, you should consult several Insolvency Practitioners and compare what they charge (**some don't charge up front fees**) before asking any of them to act on your behalf. Insolvency Practitioners are usually accountants, some are solicitors and their fees are similar to those charged by members of these professions for other kinds of work. We believe IVAs can be difficult and complex procedures that need to be carefully explained with considerable face to face discussion between the debtor and a fully qualified Insolvency Practitioner. We do not believe an IVA is something that can be dealt with solely via a telephone conversation and would advise clients to take this into account before choosing an Insolvency Practitioner.

Regrettably, we have seen clients who have been offered or entered into IVAs which they do not fully understand. In some cases it has been disturbingly clear that other more suitable and considerably less expensive options (**for example bankruptcy**) have not been fully explored. We would therefore strongly advise that anyone with debt problems get advice on all the options & solutions available from a **free independent agency** such Citizens Advice or CCCS before deciding on an IVA.

Useful Contact

g) BANKRUPTCY

Bankruptcy can be the best option for dealing with debts and can allow the debtor to make a genuine fresh start with their lives. It is a perfectly legitimate way of dealing with debts and no longer seems to have the stigma attached it once was perceived to have with many people now taking this option.

How are you made bankrupt?

- voluntary – the debtor petitions themselves at their local court
- involuntary – by a creditor owed £750 or more
- the supervisor or anyone bound by an IVA

How much does bankruptcy cost?

- £525 – official receivers fees (no exemptions, everybody has to pay these)
- £175 – court costs (these may be fully or partially waived depending on benefits / income)

There are numerous charities that may be able to assist with bankruptcy fees & costs including the Severn Trent Trust Fund & the Royal British Legion

Some pros

- genuine fresh start with debts legally written off
- allowed a reasonable amount of money to live on
- no longer have the stress and worry of dealing with creditors and their agents
- usually allowed to **keep** all essential household goods
- in some cases allowed to **keep** vehicles (cars) if they are needed for employment or health / disability reasons (eg DLA mobility scheme)
- some cases able to **keep** the home (eg negative & small equity / third party equity purchase)
- discharged after one year or as little as 6 months (early discharge)

Some cons

- home & any valuable assets could be at **serious risk** of being sold to raise equity or monies
- risk to employment in certain professions (check contract of employment)
- some tenancy agreements may include an insolvency clause (risk to home)
- bankruptcy details are entered on the **Insolvency service public register** and in the national press (London Gazette) & possibly local paper
- if the bankrupt owns a business / ltd company it could be closed down / employees dismissed / assets sold off
- may be subject to an income payment arrangement (IPA) or order (IPO) lasting 3 years
- may be subject to a restriction undertaking (BRU) or order (BRO)
- certain debts **cannot** be included – fines / CSA / criminal injury / student loans
- unable to obtain credit of more than £500 / credit rating affected for 6 years

Please note there are advantages, disadvantages and possible serious implications with bankruptcy and other dealing with debts options mentioned in this guide. We would always strongly advise that you seek full in depth advice from the CAB or an alternative agency **before** making any decisions.

Useful contact

Insolvency Service

0845 602 9848

www.insolvency.gov.uk

NORTH EAST DERBYSHIRE CAB DEBT MANAGEMENT PLAN

Earlier in this guide we have listed a number of options that are available for dealing with debt and financial problems. One of these options is an Informal Arrangement or Debt Management Plan (DMP).

There is a basic nationally accepted process for dealing with money problems. In a nutshell, this involves seeing how much money you have left (if any) to go towards paying your debts after you have covered all your essential living expenses. Some bills have more serious consequences than others if you do not pay them. These are called **priority debts** and must be addressed first as already explained earlier in this guide.

North East Derbyshire Citizens Advice Bureau has designed this **Debt Management Plan** to allow and assist **you** to deal with your debts. It is completely free to use with any payments you make going to your creditors in full. There are no start up costs or fees to pay and we do not receive any funding or commission from creditors out of your payments. It can be downloaded (along with the rest of this guide) from our website (www.ned-cab.org.uk) **without** entering any of your personal details.

The NEDCAB Debt Management Plan can be used as a long term or short term solution, depending on your circumstances and possible future options. You will need to create your own reference number for all correspondence if you are using this DMP. This can be done by using your initials and date of birth eg. JS010568

To use this plan efficiently, we advise you to fully read through this guide and use the contact numbers and websites suggested, including our own. The more knowledge you gain on finance and debt, the more confident you will be dealing with your creditors. You may be surprised by what you can achieve.

DMP Procedure

- Step 1:** Sort out all of your priority (if any) and non-priority debts
- Step 2:** List them all on the creditor checklists provided
- Step 3:** Contact priority creditors (if any) agree and make affordable arrangements
- Step 4:** Write to non-priority creditors (use holding letter included)
- Step 5:** Complete Budget Sheet / Financial Statement and offer (after balances confirmed)
- Step 6:** Send copies of Financial Statement with offer letters (included)
- Step 7:** Creditor Acceptance / Commence payments (slips or standing orders)

You should always record all relevant correspondence regarding the above on the creditor checklists included as part of this pack.

The Debt Management Plan procedure is set out in detail on the next pages. Please read through before you start your plan.

CONTACTING YOUR CREDITORS & CALCULATING OFFERS

Step 1: First you will need to sort out all of your priority and non-priority debts

Step 2: Record them on the creditor checklists provided. This should include the name of the creditor/collection agency and account number (see checklists included for guidance).

Step 3: Contact your priority creditors (if any) and agree realistic payment arrangements where possible. **(Record details on your checklist)**

Step 4: Suspend payments where necessary and send holding letters (included in this guide) to **all** of your non-priority creditors. If a creditor does not respond within approximately 21 days, you should telephone them or assume the latest balance available. **(Record details on your checklist)**

If you have a bank or building society into which your income is paid and have direct debits or standing orders set up to non-priority creditors they should be cancelled. This is especially necessary if your account is overdrawn incurring interest and charges leaving no money for essentials and increasing your debt. Any priority direct debits or standing orders (such as rent, mortgage, council tax, etc.) should always be left in place if possible, however see below.

Important: If you have a debt with any bank or building society into which your income is paid you will need to deal with this differently. The reason being that you may face problems with them taking monies from your account (without your permission) to bring any credit card, loan or overdraft associated with them up to date. This could result in no money being left for essentials and priority creditors including direct debits and standing orders set up through any such account.

In this situation, the best advice would be before sending a holding letter you should open a new basic account with a bank or building society not associated with any of your current creditors and transfer all of your income. After confirmation that all of your income payments (wages, pensions, benefits, etc.) have been transferred to your new account you can then send a holding letter and include the creditor in your plan.

If you do change your account, you must make sure that any priority payments such as mortgage, rent, council tax, insurances, utilities or TV licence are transferred or paid manually.

Please contact the bureau if you need further advice on this issue or if you require a list of banks and building societies.

Step 5: When you have received / assumed all your non-priority creditor balances and recorded them on your creditor checklists, you will need to complete your personal budget sheet (financial statement) provided.

It is essential that your Financial Statement clearly shows your total income received and total outgoings. You must include all income (wages, benefits, pensions, etc.) however if you work overtime, we would only advise that you include this if it is guaranteed.

You may wish to look into ways of increasing or maximising your income. For example, check your benefit and tax credit entitlement, contributions from other household members (board, etc.), renting rooms, other part-time jobs, etc.

CALCULATING & MAKING OFFERS TO NON-PRIORITIES

When you have included all your income you will need to work out your expenditure with your family if necessary and include any payments to priority creditors for arrears (these should have already been agreed). You will need to be realistic in the amounts you put down as creditors may ask you to explain in some cases.

Once you have completed and agreed your income and expenditure form including payments to your priority creditors you will then be in a position to calculate the amount available (if any) for your non-priority creditors. (There is a debt calculator on our website at www.ned-cab.org.uk)

This calculation will be based on any surplus income available (if any) after your total expenditure is taken away from your total income. If you have any surplus or disposable income available you will then be in a position to make a pro-rata offer to your non-priority creditors. This basically means that your surplus income is divided proportionately between creditors.

Example:

If you owe a total of £10,000 to 5 different creditors, and you have £100 per month surplus income. You will now have to calculate pro-rata payments to non-priority creditors using the following formula.

Debt to creditor divided by total debt times total surplus = offer to creditor

Examples below

Creditor	Debt	Monthly Offer	Calculation
Any Loan Ltd	£5,000	*£50	Any Loan Ltd £5,000 divided by £10,000 (total debt) multiplied by £100 (surplus) = *£50 offer
Any Card Ltd	£2,000	£20	
Catalogue Ltd	£1,500	£15	
Any Finance	£1,000	£10	
Any Cards	£500	£5	

The above is just an example. You may have fewer or many more non priority creditors and would therefore need to repeat this calculation depending on the number of creditors.

Useful Website

North East Derbyshire CAB www.ned-cab.org.uk

If you do not have any disposable income (this is often the case) we would advise you make monthly token offers (possibly £1) to your non-priority creditors as this would show goodwill. In some circumstances it may be worth asking creditors to write off your debts (token offer and write off letters included). If you require further advice on token offers or write offs please contact the Bureau.

NOTIFYING NON-PRIORITY CREDITORS OF YOUR OFFER

Step 6: When you have completed **all** pro-rata offer calculations for your non-priority creditors or wish to make token offers you will need to write to them with your offer (including a copy of your Financial Statement). We have included blank offer letters (please take copies as required) with this pack for you to fill in your creditor details and send. You should keep a record of these offer letters for future reference on the creditor check lists provided.

CREDITOR ACCEPTANCE

Step 7: When a creditor confirms acceptance of your offer you should make and maintain payments as agreed and again you should record this on your creditor checklist. If a creditor does not accept your offer we would still advise you make payments as offered if possible.

Unfortunately it is common practice for some creditors to reject offers and continually pass accounts round collection departments and external collection agencies. Where this happens don't panic just send a copy of your Financial Statement / Offer on to whichever department or collection agency takes over your account and then payment if possible.

Please note some collection agencies and departments can persist in making calls and demands, however you should stick to your offers. There are laws regarding harassment and there are agencies you may be able to complain to regarding these practices, please contact the Bureau for further information if necessary.

There are a number of fact sheets available on our web site (www.ned-cab.org.uk) which you can download. These include one specifically on harassment.

Useful Contacts

Office of Fair Trading (OFT)	0845 722 4499	www.ofc.gov.uk
Financial Ombudsman Service	0845 080 1800	www.financial-ombudsman.org.uk
Banking Code	0845 230 969	www.bankingcode.org.uk

CREDITOR PAYMENT REVIEWS

Creditors usually agree payment plans for set periods for example 3, 6 or even 12 months then ask for a review of your financial circumstances. When this happens, you could contact the creditor by telephone or send an up to date Financial Statement if requested.

Alternatively if your circumstances deteriorate or indeed improve you should draft a revised Financial Statement showing your re-calculations / offers.

If any of your creditors take legal action to recover their debt (example: County Court Judgement), don't panic. You will need to check the details before completing and returning any relevant forms within the specified time.

There are a number of fact sheets available on our website (www.ned-cab.org.uk) which you can download, including one specifically on County Court Forms. Alternatively, you can contact the bureau for further advice.

DOCUMENTS / LETTERS / TELEPHONE CALLS

You are likely to send and receive a number of letters and documents, and make and receive phone calls relating to your debts and creditors. We would strongly advise you record these on your creditor checklists where relevant and keep all letters, notes of phone calls and records of payments safe (in a file if possible). All this information is important and could be useful for future reference.

REMEMBER

The North East Derbyshire CAB Debt Management Plan is **completely free** to use with any payments you make going to your creditors in full. There are no start-up costs or fees to pay and we do not receive any funding, commission or donations from creditors out of your payments unlike some "Free" Debt Management & Advice Businesses.

HELPING YOURSELF

Taking the above into account, we would advise you to take the time to read and learn about finance and debt (including using this guide), as they are now part of everyday life. Understanding the issues and your legal rights can put you in a strong position when dealing and negotiating with creditors or their agents and could save you a considerable amount of money.

Do not be afraid, it may not be as difficult as you think and remember that the more you know, the more confident you may become which in turn may help you take control of your finances.

Please contact the bureau if you require further advice and/or assistance relating to this guide.

Useful Contacts

Consumer Credit Counselling Service

0800 138 1111

www.cccs.co.uk

National Debtline

0808 808 4000

www.nationaldebtline.co.uk

Example

No.	Creditor's Address and Account Number	Holding Letter or Telephone Call Date	Creditor Reply Date	Arrears Balance £	Financial Statement Date Sent	Offer Agreed Date	Miscellaneous Comments and Information
P I	<u>Mortgage 1</u> Anytown Mortgage Company Anywhere Street Anytown Anyshire AA1 IAA Account No. A/1234 987 - 01	Telephone 05/03/07	05/03/07	£1,200	N/A	05/03/07	Ongoing

Priority Creditors: Check-List

No.	Creditor's Address and Account Number	Holding Letter or Telephone Call Date	Creditor Reply Date	Arrears Balance £	Financial Statement Date Sent	Offer Agreed Date	Miscellaneous Comments and Information
P	<u>Mortgage 1</u>						
P	<u>Mortgage 2</u>						
P	<u>Secured Loan 1</u>						
P	<u>Charging order</u>						
P	<u>Rent</u>						
P	<u>Council Tax</u>						
P	<u>Business Rates</u>						

Priority Creditors: Check-List

No.	Creditor's Address and Account Number	Holding Letter or Telephone Call Date	Creditor Reply Date	Arrears Balance £	Financial Statement Date Sent	Offer Agreed Date	Miscellaneous Comments and Information
P	<u>Fines</u>						
P	<u>CSA</u>						
P	<u>Tax / VAT</u>						
P	<u>TV Licence</u>						
P	<u>Electric</u>						
P	<u>Gas</u>						
P	<u>Water</u>						

Priority Creditors: Check-List

No.	Creditor's Address and Account Number	Holding Letter or Telephone Call Date	Creditor Reply Date	Arrears Balance £	Financial Statement Date Sent	Offer Agreed Date	Miscellaneous Comments and Information
P	<u>HP</u>						
P	<u>CCJ (1)</u>						
P	<u>CCJ (2)</u>						
P							
P							
P							
P							

Example

No.	Creditor's Address and Account Number	Holding Letter or Telephone Call Date	Creditor Reply Date	Account Balance £	Financial Statement Date Sent	Offer Agreed Date	Miscellaneous Comments and Information
NP I	<i>Any Loan Ltd. Anywhere Street Anytown Anyshire AA1 IAA Account No. 12349876</i>	<i>02/03/07</i>	<i>16/03/07</i>	<i>£5,000</i>	<i>19/03/07</i>	<i>03/04/07</i>	<i>Agreed for 6 months</i>

Non-Priority Creditors: Check-List

No.	Creditor's Address and Account Number	Holding Letter or Telephone Call Date	Creditor Reply Date	Account Balance £	Financial Statement Date Sent	Offer Agreed Date	Miscellaneous Comments and Information
NP 1							
NP 2							
NP 3							
NP 4							
NP 5							
NP 6							
NP 7							

Non-Priority Creditors: Check-List

No.	Creditor's Address and Account Number	Holding Letter or Telephone Call Date	Creditor Reply Date	Account Balance £	Financial Statement Date Sent	Offer Agreed Date	Miscellaneous Comments and Information
NP 8							
NP 9							
NP 10							
NP 11							
NP 12							
NP 13							
NP 14							

Non-Priority Creditors: Check-List

No.	Creditor's Address and Account Number	Holding Letter or Telephone Call Date	Creditor Reply Date	Account Balance £	Financial Statement Date Sent	Offer Agreed Date	Miscellaneous Comments and Information
NP 15							
NP 16							
NP 17							
NP 18							
NP 19							
NP 20							
NP 21							

Holding Letter

Your name and address

Date

Creditor's name and address

Our Ref: NEDCAB/ADM/.....

Dear Sir/Madam

I/We are writing to you regarding the outstanding account - agreement number

Unfortunately I/we are suffering financial difficulties due to
and I/we am finding it very difficult to meet my/our contractual payments.

I/We have sought advice from North East Derbyshire Citizens Advice Bureau who have advised me/us on priority and non-priority debts/expenditure and on the legal and recovery action my/our creditors could take.

In addition, North East Derbyshire Citizens Advice Bureau have provided me/us with their debt management pack which I/we have decided on using in regard to their informal debt management plan.

Taking the above into account, I/we would be grateful if you would help us make a full assessment of the current financial situation by providing me/us with up to date account details. It would also be appreciated if any interest charges were waived/suspended pending satisfactory payment arrangements.

When I/we have received all up-to-date balances, I/we will draft a financial statement / offer and forward to you for your consideration and acceptance with an early response being appreciated. Meanwhile I/we ask that no further action be taken.

Your assistance and co-operation would be greatly appreciated.

Yours faithfully

.....

Personal Budget Sheet / Financial Statement

Household Details

Name:

Partner's Name:

Address:

Number of people in my household: Adults

Children

Non-Dependant / Other

Step I: Income

Monthly

Wages / Salary £

Wages / Salary (Partner) £

Income Support / JSA £

Tax Credits £

Child Benefit £

Pension 1 £

Pension 2 £

DLA / Attendance Allowance £

Maintenance £

Benefits / Other £

Benefits / Other £

Benefits / Other £

Benefits / Other £

Total Income £

Example: To calculate monthly amounts:
(weekly wage x 52) ÷ 12
= monthly amount

Expenditure Guidelines (Monthly)

Food / Housekeeping

Single Person £300 approx
Couple £500 approx
Each Child Under 14 £80 approx, 14+ £145 approx

Care/Mobility Costs (eg. DLA & AA)

These benefits should normally be used for care and mobility costs

Electric, Gas, and Other Fuel

Usage

Clothing

Each person £15 to £30

Telephone £25 to £35 (single person), £10 to £15 (add. adult)

Travel / Car Costs / Petrol

Include all costs - Repairs, Tax, Insurance, MOT, Bus Fares

Health Costs / Prescriptions

Include extra costs if you have special needs
eg: Diet & Bedding

Remember

Your outgoings may be different from our guide and you may have extra expenses for Emergencies, Pets etc. Please take this into account. Don't leave yourself short, as this may lead to extra difficulties.

Step 2: Outgoings

Monthly

Mortgage / Rent / Board £

Second Mortgage / Secured Loans £

Council Tax £

Food / Housekeeping £

Care / Mobility Costs (eg. DLA & AA) £

Electric £

Gas £

Other Fuel £

Water £

TV Licence / Rental £

Hire Purchase £

Maintenance Payments £

Clothing £

Telephone £

Travel / Car Costs / Petrol £

School Meals £

Insurances £

Health Costs / Prescriptions £

Childminding £

..... £

..... £

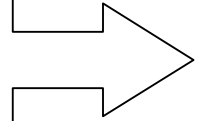
..... £

..... £

Total Outgoings £

**Example: To calculate
monthly amounts:**
(weekly rent x 52) ÷ 12
= monthly rent

Copy in the same
order as set out on
your Priority Creditor
Check List
(if any)



Step 3: Money For Creditors

Monthly

3a) Total Income £ Total of Step 1
 - 3b) Total Outgoings £ Total of Step 2

3c) Money For Creditors £ 3a minus 3b

Step 4: Priority Debts (Copy these from your checklist)

	Arrears	Monthly Payment
_____	£ <input type="text"/>	£ <input type="text"/>
_____	£ <input type="text"/>	£ <input type="text"/>
_____	£ <input type="text"/>	£ <input type="text"/>
_____	£ <input type="text"/>	£ <input type="text"/>
_____	£ <input type="text"/>	£ <input type="text"/>
_____	£ <input type="text"/>	£ <input type="text"/>
_____	£ <input type="text"/>	£ <input type="text"/>
_____	£ <input type="text"/>	£ <input type="text"/>
_____	£ <input type="text"/>	£ <input type="text"/>
_____	£ <input type="text"/>	£ <input type="text"/>
_____	£ <input type="text"/>	£ <input type="text"/>
_____	£ <input type="text"/>	£ <input type="text"/>
Total Priority Debts Repayment		£ <input type="text"/>

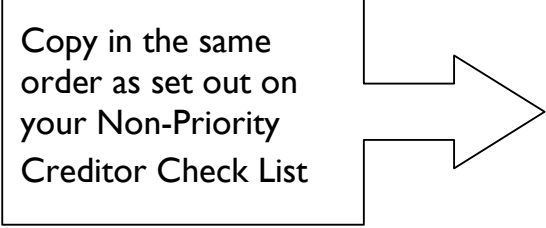
Step 5: Money For Non-Priority Debts

Monthly

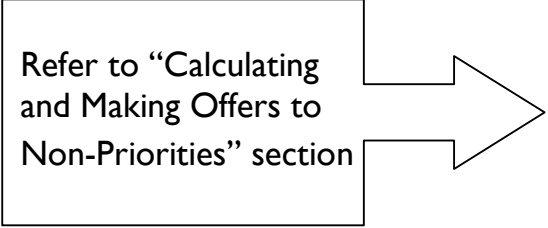
5a) Money For Creditors £ Value in 3c
 - 5b) Total Priority Debts Repayment £ Total of Step 4

5c) Money For Creditors £ 5a minus 5b

Copy in the same
order as set out on
your Non-Priority
Creditor Check List



Refer to “Calculating
and Making Offers to
Non-Priorities” section



Step 6: Non-Priority Debts (Copy these from your checklist)

	Balance Owed	Monthly Offer
_____	£ <input type="text"/>	£ <input type="text"/>
_____	£ <input type="text"/>	£ <input type="text"/>
_____	£ <input type="text"/>	£ <input type="text"/>
_____	£ <input type="text"/>	£ <input type="text"/>
_____	£ <input type="text"/>	£ <input type="text"/>
_____	£ <input type="text"/>	£ <input type="text"/>
_____	£ <input type="text"/>	£ <input type="text"/>
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_____	£ <input type="text"/>	£ <input type="text"/>
_____	£ <input type="text"/>	£ <input type="text"/>
_____	£ <input type="text"/>	£ <input type="text"/>
_____	£ <input type="text"/>	£ <input type="text"/>
_____	£ <input type="text"/>	£ <input type="text"/>
_____	£ <input type="text"/>	£ <input type="text"/>
_____	£ <input type="text"/>	£ <input type="text"/>
Totals	£ <input type="text"/>	£ <input type="text"/>

This is an accurate record of my financial position at (date)

Signed _____

Pro-rata Offer Letter

Your name and address

Date

Creditor's name and address

Our Ref: NEDCAB/ADM/.....

Account number:

Dear Sir or Madam,

With the assistance of North East Derbyshire CAB, I/we now enclose a financial statement for ourselves giving full details of my/our situation.

I/We offer to make payments of £..... each month based on an equitable distribution of available income. Whilst I/we appreciate that this offer is small, I/we feel it is the only realistic one in the circumstances.

I/We would also ask that you agree to suspend interest on this account to enable me/us to make some inroad into the debt.

In order for me/us to make payments, please could you forward me a payment book, giro credit slips, or standing order mandate details if applicable?

I/We will contact you immediately if there is any change in my/our circumstances.

Your patience and co-operation in this matter is greatly appreciated and I/we look forward to your acceptance of this proposal.

Yours faithfully,

.....

Token Offer Letter

Your name and address

Date

Creditor's name and address

Our Ref: NEDCAB/ADM/.....

Account number:

Dear Sir or Madam,

With the assistance of North East Derbyshire CAB, I/we now enclose a financial statement for ourselves giving full details of my/our situation.

As you can see from this I am/we are struggling to manage my/our priority commitments. I/We would like to ask if you would agree to accept token offers of payment of £..... per month until my/our situation improves. Whilst I/we appreciate that this offer is small, I/we feel it is the only realistic one in the circumstances.

I/We would also ask that you agree to suspend interest on this account to enable me/us to make some inroad into the debt.

In order for me/us to make payments, please could you forward me a payment book, giro credit slips, or standing order mandate details if applicable?

Your patience and co-operation in this matter is greatly appreciated and I/we look forward to your acceptance of this proposal.

I/We will contact you immediately if there is any change in my/our circumstances.

Yours faithfully,

.....

Write Off Letter

Your name and address

Date

Creditor's name and address

Our Ref: NEDCAB/ADM/.....

Account number:

Dear Sir or Madam,

With the assistance of North East Derbyshire CAB, I/we now enclose a financial statement giving full details of my/our situation.

As you can see, after essential expenditure, there is no available income to make repayments towards this account/debt.

My/Our situation is not likely to change due to
.....
.....

In these circumstances, I/we would like to ask you to write off the debt completely. While we realise that this is unsatisfactory, we feel it is the most practical course of action at this time.

However, if you feel it is impossible to clear the debt in its entirety, I/we could offer no more than a token payment of £0.50 per month.

Yours faithfully,

.....

Review Letter

Your name and address

Date

Creditor's name and address

Our Ref: NEDCAB/ADM/.....

Account number:

Dear Sir or Madam,

With the assistance of North East Derbyshire CAB. I/We have been corresponding with you for some time.

With regards to reviewing my circumstances, please find enclosed my latest financial statement showing the current position.

I/We would ask that you accept the current offer of £..... each month.

I/We will commence/continue payments as outlined on the financial statement.

I/We thank you for your continued support in this matter.

Yours faithfully,

.....

USEFUL CONTACTS

ACAS	08457 47 47 47	www.acas.org.uk
Age Concern	0800 00 99 66	www.ace.org.uk
Banking Code	0845 230 969	www.bankingcode.org.uk
Business Debtline	0800 197 6026	www.bdl.org.uk
Callcredit	0870 060 1414	www.callcredit.co.uk
Consumer Credit Counselling Service	0800 138 1111	www.cccs.co.uk
Consumer Direct	0845 404 0506	www.consumerdirect.gov.uk
DIAL UK <i>(Advice for people with disabilities)</i>	01302 310 123	www.dialuk.org.uk

Department for Work and Pensions (DWP)

Carer's Allowance Unit	0125 385 6123	
Child Support Agency Enquiry Line	0845 7133 133	www.csa.gov.uk
Disability Benefits Enquiry Line	0800 88 22 00	www.dwp.gov.uk
Disability Living Allowance and Attendance Allowance helpline	0845 712 3456	
Pension Credit Claim Line	0800 99 1234	www.thepensionservice.gov.uk
Tax Credits helpline	0845 300 3900	www.hmrc.gov.uk

Equifax	08700 100 583	www.equifax.co.uk
Experian	0870 241 6212	www.experian.co.uk
Financial Services Authority (FSA)	0845 606 1234	www.fsa.gov.uk

Financial Services Compensation Scheme	020 7892 7300	www.fscs.org.uk
Financial Ombudsman Service	0845 080 1800	www.financial-ombudsman.org.uk
Help the Aged	0808 800 6565	www.helptheaged.org.uk
Her Majesty's Courts Service	0845 456 8770	www.hmcourts-service.gov.uk
Insolvency Service	0845 602 9848	www.insolvency.gov.uk
The Law Society Consumer Complaints Service	0845 608 6565	www.lawsociety.org.uk
Local Government Ombudsman	0845 602 1983	www.lgo.org.uk
National Debtline	0808 808 4000	www.nationaldebtline.co.uk
National Drugs Helpline	0800 77 66 00	www.talktofrank.com
Office of Fair Trading (OFT)	0845 722 4499	www.oft.gov.uk
Office of Gas and Electricity Markets (Ofgem)	0845 906 0708	www.ofgem.gov.uk
Relate	0845 130 40 16	www.relate.org.uk
Royal British Legion	08457 725 725	www.britishlegion.org.uk
Samaritans	0845 790 9090	www.samaritans.org.uk
Shelter Free Housing Advice Helpline	0808 800 4444	www.shelter.org.uk
Taxaid	0845 120 3779	www.taxaid.org.uk